

Cartier Resources Inc. (TSXV: ECR)

Agnico Eagle Backed Junior Trading at a 67% Discount - Re-Initiating Coverage

BUY

Current Price: C\$0.17

Fair Value: C\$0.46

Risk: 5

Sector / Industry: Junior Resource/Mining

[Click here for more research on the company and to share your views](#)

Highlights

- Cartier owns seven gold projects in the prolific Abitibi mining district in Quebec. **Agnico Eagle (NYSE: AEM) owns 16% of ECR, and is the largest shareholder.**
- Two juniors in the region, Monarch Gold and QMX Gold, were recently acquired by Yamana Gold (TSX: YRI) and Eldorado Gold (TSX: ELD), respectively, **indicating major gold producers' affinity to the region.**
- Cartier's key assets include the flagship Chimo Mine project, and the Benoist, Fenton and Wilson projects.
- Chimo and Benoist have NI43-101 compliant resources totaling **0.82 Moz indicated + 1.47 Moz inferred resources** at attractive grades of 2.5+ gpt. Fenton and Wilson have smaller, but high-grade historic resources.
- Commenced a Preliminary Economic Assessment (PEA) on Chimo Mine last month. If positive, we believe ECR will be a strong M&A candidate.
- **ECR is trading at \$20/oz vs the sector average of \$59, implying a 67% discount.**
- We have a **positive outlook on gold prices**. Although the U.S. Fed is expected to start raising rates in 2022, we believe inflation is unlikely to be transitory as U.S. M2 money supply is up 35% since the beginning of the pandemic. Prior to the pandemic, M2 had increased at just 6% p.a. in the last two decades. Note that rate hikes were unable to curb inflation during 2016-2019.
- **Upcoming catalysts** include stronger gold prices and completion of the PEA at Chimo Mine.

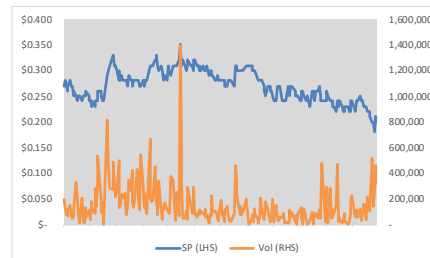
Risks

- The value of the company is dependent on gold prices.
- Exploration and development risks.
- **Access to capital and potential for share dilution.**
- No guarantee that ECR will be able to simultaneously advance all of its projects.

Sid Rajeev, B.Tech, MBA, CFA
Head of Research

Nina Rose Coderis, B.Sc (Geology)
Equity Analyst

Price Performance (1-year)



	YTD	12M
Ret.	-44%	-35%
TSXV	1%	14%

Company Data

52 Week Range	C\$0.13–C\$0.37
Shares O/S	218M
Market Cap.	C\$37M
Yield (forward)	N/A
P/E (forward)	N/A
P/B	1.3x

Key Financial Data (FYE - Dec 31) (C\$)

	2020	2021 (9M)
Cash	\$13,271,206	\$7,048,084
Working Capital	\$11,081,450	\$6,070,573
Mineral Assets	\$19,376,361	\$26,231,338
Total Assets	\$33,756,613	\$33,780,226
Net Income (Loss)	-\$852,231	-\$84,466
EPS	\$0.00	-\$0.00

***See last page for important disclosures, rating and risk definitions. All figures in C\$ unless otherwise specified.**

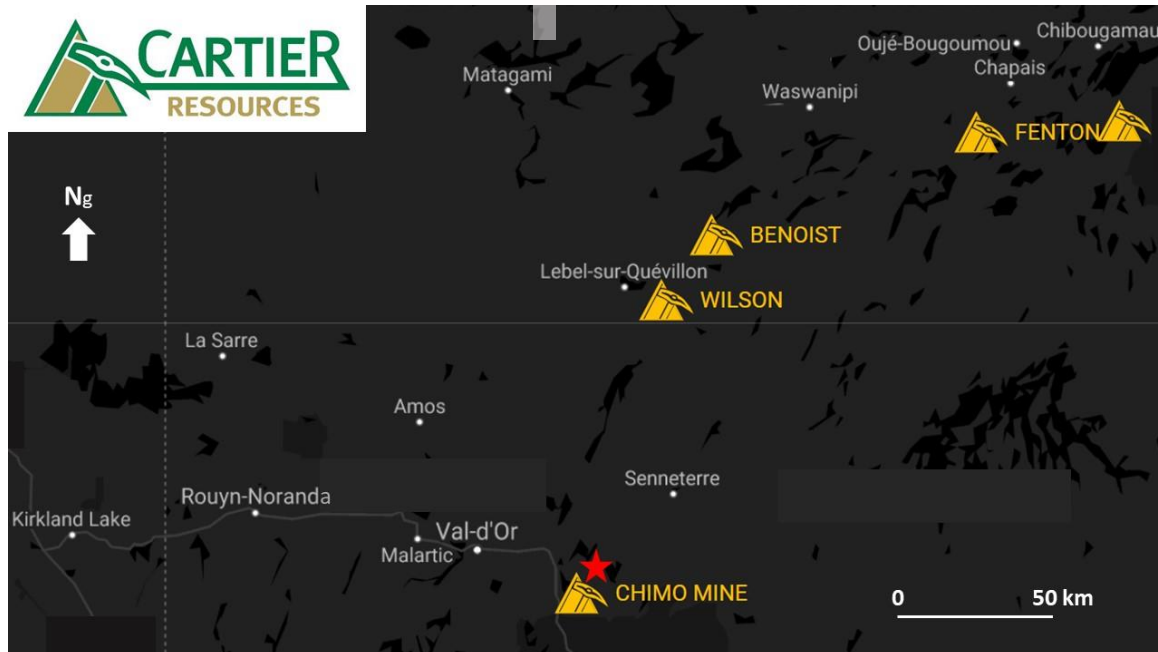
Overview

Cartier is a gold exploration company with seven projects in the Abitibi Greenstone Belt in Quebec. Its four key projects are the Chimo Mine, Benoist, Fenton, and Wilson. Two projects have NI 43-101 resource estimates, and two have historic estimates.

Projects located in the prolific Abitibi mining district in Quebec

The Abitibi district hosts world class gold and VMS deposits

Portfolio in the Abitibi Greenstone Belt



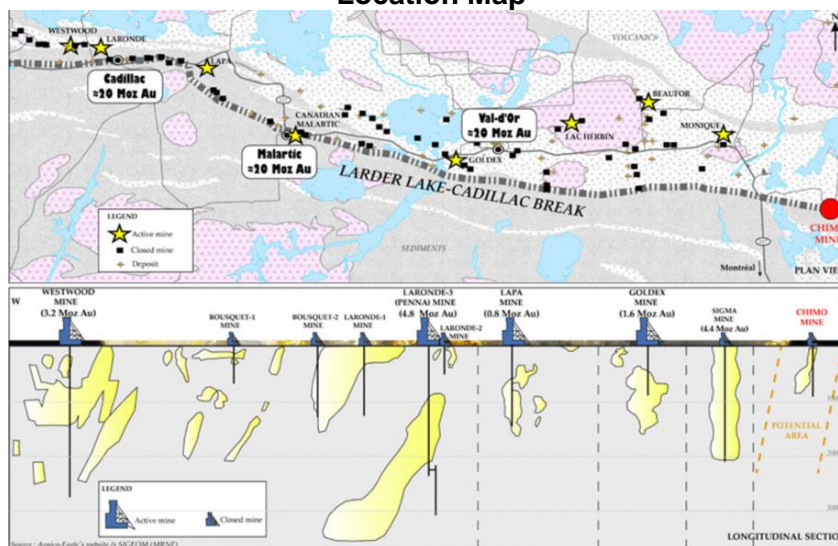
Source: Company

Chimo Mine Location and Ownership

Cartier holds a 100% interest in the property

Chimo, covering 334 hectares, is located 50 km southeast of Val-d'Or, and 15 km southeast of Louvicourt

Location Map



Source: Company

Chimo can potentially be advanced to production quicker, and at a relatively low CAPEX if one of these mills can be accessed

The project is close to several mills; the closest ones are listed below:

- Lac Herbin is approximately 20 km west of Chimo. Lac Herbin was previously owned by QMX Gold. QMX was acquired by Eldorado Gold in April 2021.
- Camflo is located 50 km west of Chimo. Its previous owner, Monarch Gold, was acquired by Yamana Gold in January 2021.
- Agnico Eagle's Goldex mine is approximately 40 km west.

We note that the acquisitions of Monarch and QMX indicate major gold producers' affinity to the region.

History and Mineralization

Cartier has drilled 124 holes (totaling 58,054 m) to date on the project. Drilling focused on three areas (central, north, and south corridors), and Cartier has completed NI 43-101 resources on all three areas.

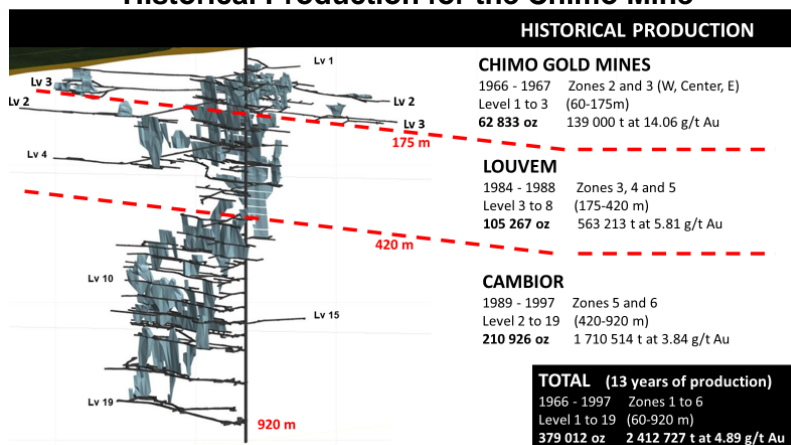
Chimo was previously mined by three producers; historic production totaled 379 Koz of gold between 1964-1997, at high grades (4.89 gpt)

Mining infrastructure primarily consists of 19 levels connected by a 920 m deep shaft

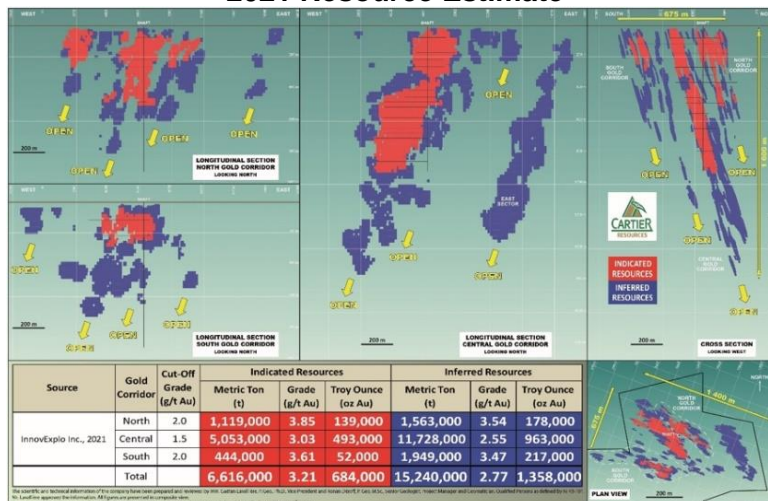
0.68 Moz indicated + 1.36 Moz inferred resources; we believe this resource is large enough for the company to make a production decision

The mine hosts 27 gold zones, and we believe there is potential to increase resources at depth, and in peripherals

Historical Production for the Chimo Mine



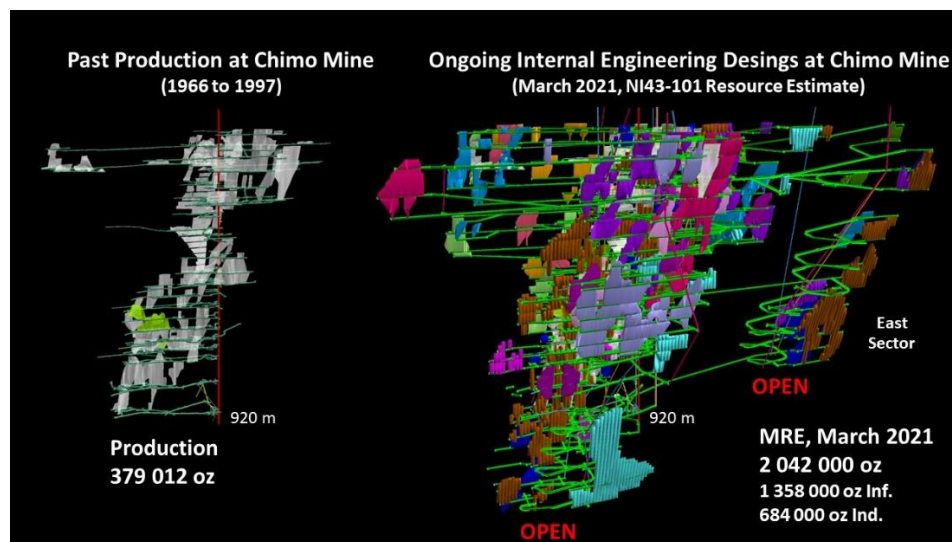
2021 Resource Estimate



Source: Company

Sorting tests showed potential to reduce tonnage by 50%, and increase grades by 170%, implying that sorting can result in higher production and lower costs

A study on the hoisting capacity of the shaft showed potential for 1.7 Mt/year, which can be increased to 2.2 Mt/year



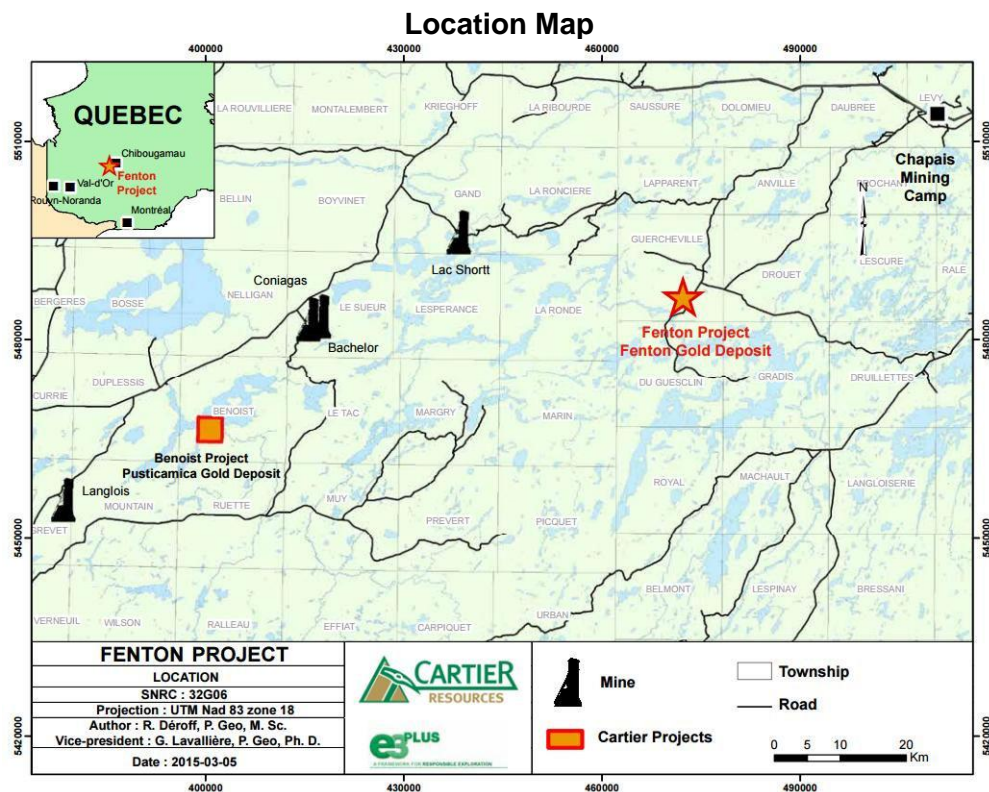
Source: Company

Cartier commenced a PEA last month. Results of this PEA will likely be the next major catalyst for ECR's shares.

Fenton Project

*The Fenton property
(100% owned)
consists of 18
mining claims
located 50 km
southwest of
Chapais, Quebec*

Located near the mills of the Langlois and Bachelor mines, and Osisko Mining's (TSX: OSK) future mill at their Windfall project



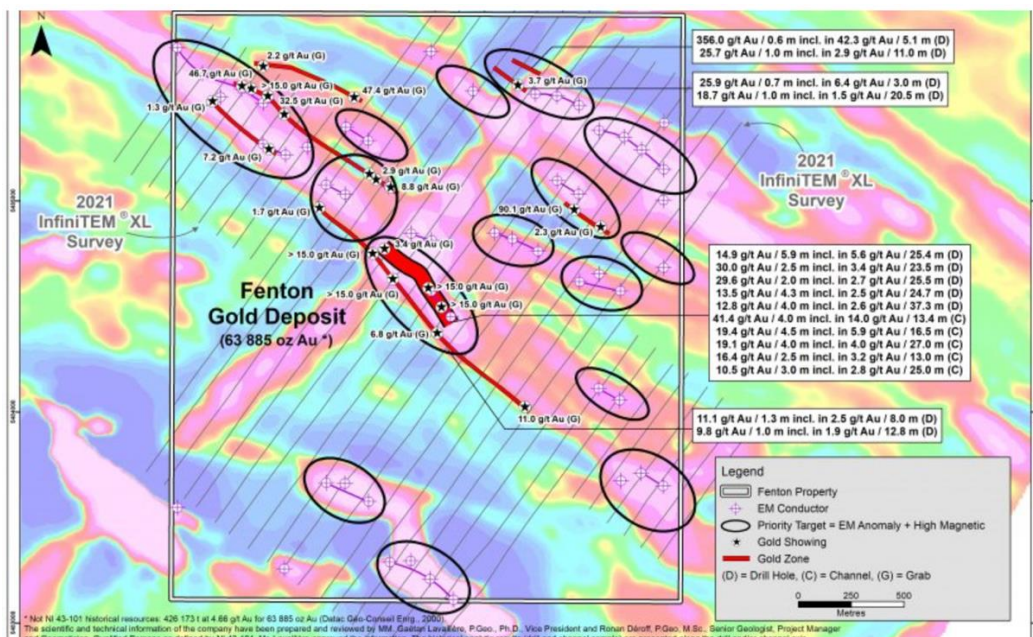
Source: Company

Gold was discovered on the property in 1948. **A historic estimate in 2000 (based on 73 holes), returned 63,885 oz (4.66 gpt) of contained gold.** Approximately a third of the historical resource is in the first 50 m below surface. Numerous other high grade (30+ gpt Au) targets of lower (1.5-3.0 gpt) to medium (3-4 gpt) grades have also been identified through channel samples from trenches and shallow drilling.

Fenton's gold deposit is high-grade (4.66 gpt), and shallow (<50 m from surface)

Returned 41.4 gpt over 4 m, within 14.0 gpt over 13.4 m

Recently entered into an exploration agreement with the First Nations group in the region, indicating local support



Source: Company

106 drill holes totaling 16,453 m has been completed on the project, including 12 holes (totaling 3,103 m) by Cartier in 2012. Cartier drilled an additional 7,814 m between 2017-2018, and intersected mineralization up to a depth of 625 m. A geophysical survey is in progress to delineate targets for drilling. **ECR is awaiting results of a channel sampling program.**

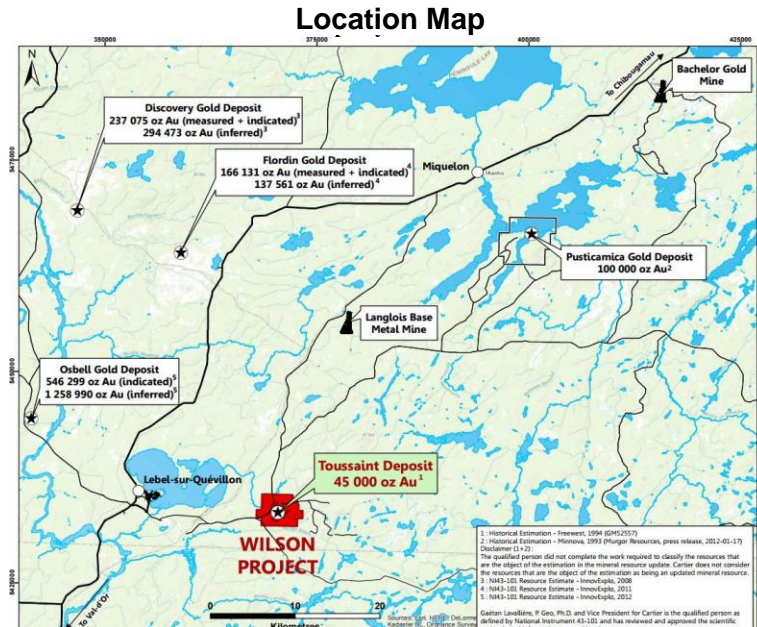
Wilson Project

This project consists of 42 mining claims, located 15 km east of the municipality of Lebel-sur-Quévillon. In April 2021, Cartier entered into an option agreement with Hawkmoon Resources (CSE: HM/MCAP: \$4M), where Hawkmoon can acquire 100% of the project for \$1M in cash, 5M shares, and \$6M in exploration spending (24,000+ m of drilling). Cartier will be granted a 2% NSR production royalty, of which, 1% can be acquired for \$4M.

Optioned to Hawkmoon Resources

Located 130 km northeast of Val-d'Or

There are multiple mines/deposits in the region

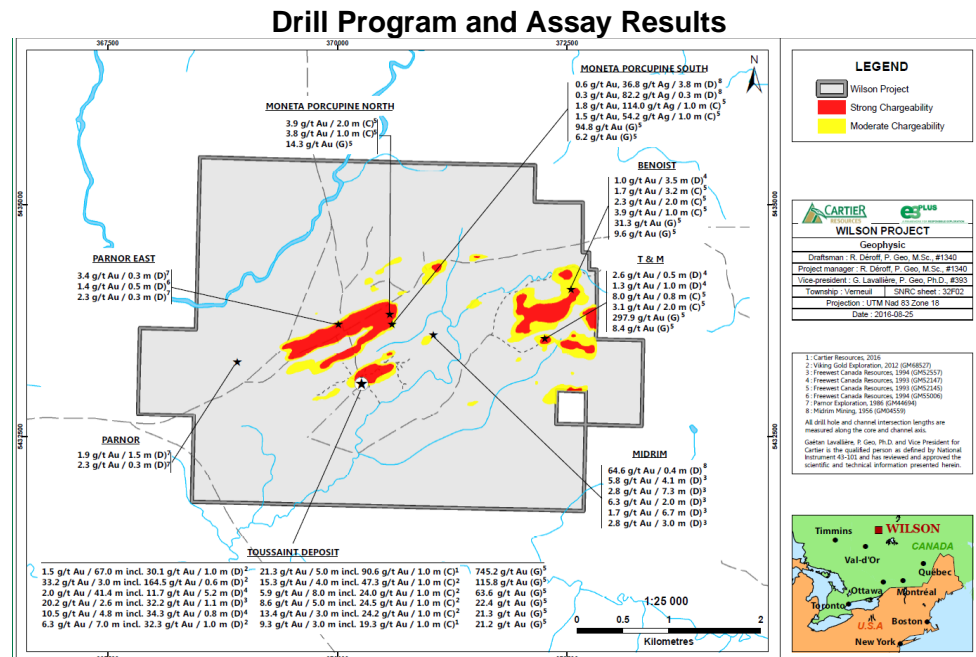


Source: Company

The property hosts the Toussaint gold deposit, discovered in 1992, with a **historic resource of 43 Koz (7.1 gpt)**. 60 drillholes (totaling 9,631m) have been completed on the Toussaint deposit, and 107 holes (totaling 16,007 m) on the entire property.

The Toussaint deposit can be traced for >900 m along strike, and 250 m deep

Seven gold zones identified on property



Source: Company

Hawkmoon and ECR are awaiting the results of a 28-hole drill campaign (totaling 5,031 m) targeting the Toussaint, Midrim, and Moneta-Porcupine North zones.

Initial results returned 1 m of 59 gpt, and 4 m of 17 gpt

Hawkmoon recently expanded its land package in the area, indicating that they are building a portfolio in the region, and will likely follow through with the option agreement with ECR

Preliminary Assay Results of 2021 Drill Program

Drill Hole (DDH)	From (metres)	To (metres)	Length (metres)	Gold Grade (g/t)
HMW 21-01	77.0	81.0	4.0	17.31
Including	78.0	80.0	2.0	33.40
Including	78.0	79.0	1.0	58.80
HMW 21-09	121.0	124.0	3.0	13.11
Including	122.0	124.0	2.0	19.50
Including	123.0	124.0	1.0	38.00
HMW 21-09	138.0	140.0	2.0	5.07
Including	139.0	140.0	1.0	9.35
HMW 21-02	17.0	24.0	7.0	3.47
Including	18.0	21.0	3.0	5.53
HMW 21-06	70.0	74.0	4.0	2.17
Including	71.0	72.0	1.0	4.22
HMW 21-05	168.0	169.0	1.0	0.51

Source: Hawkmoon Resources

Benoist Project

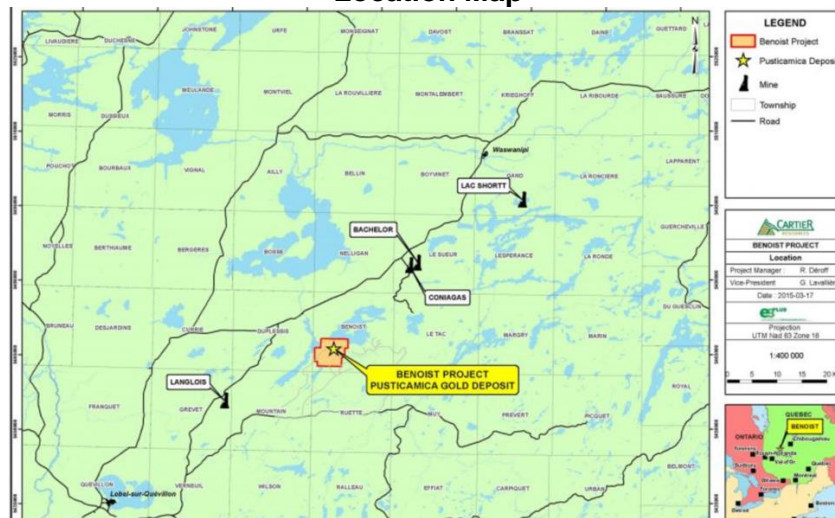
100% owned by Cartier

The property is located 65 km northeast of Lebel-sur-Quévillon

220 km northeast of Val-d'-Or

Located between the Langlois and Bachelor mines

Location Map



Source: Company

Several companies have conducted exploration and drilling on the property from 1935 to 2002. Cartier's work consisted of geophysical surveys, and 9,986 m of drilling.

Resource

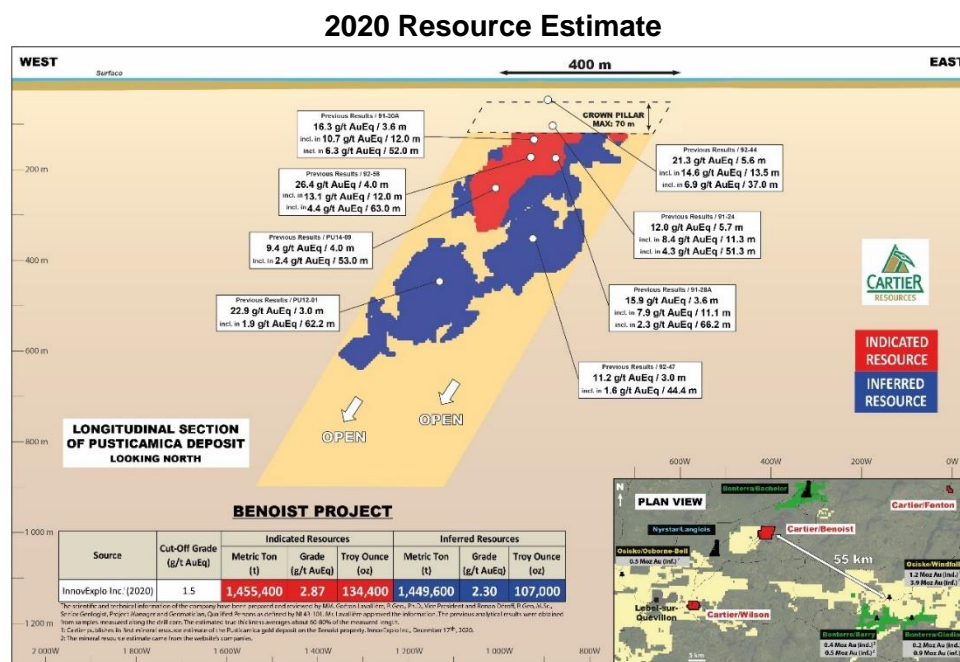
In 2020, the company published a maiden NI 43-101 resource for the **Pusticamica gold deposit**, based on 70 drill holes.

Resource area:
1,660 m long, 1,050
m wide, and 950 m
deep

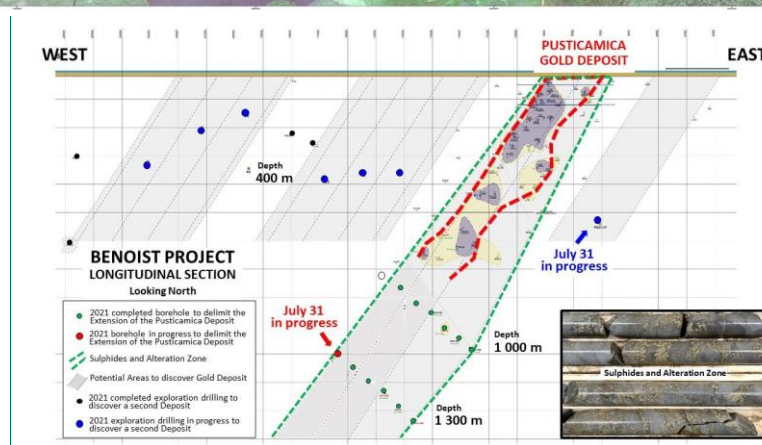
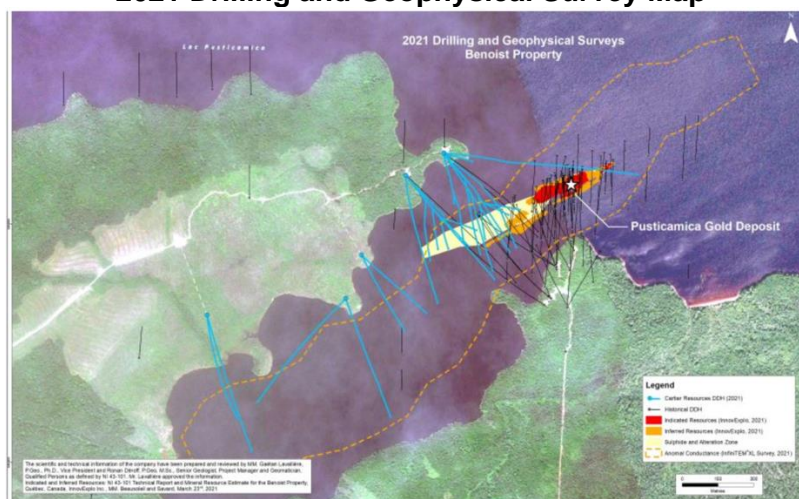
134 Koz indicated +
107 Koz inferred
AuEg

Recently completed
27 drill holes totaling
17,000 m, including
10 holes targeting
the lateral extension
of the Pusticamica
deposit, and 17
holes below the
deposit

All of the holes beneath the Pusticamica deposit intersected sulfides and alteration zones covering a 1,400 m x 300 m area, with 21 m to 29 m in thickness, indicating potential for resource expansion at depth



2021 Drilling and Geophysical Survey Map



Source: Company

ECR is awaiting results of the remaining holes.

Management and Directors

Share Ownership

Name	Position	Shares	% of Total
Philippe Cloutier	President, CEO & Director	5,115,000	2.34%
Jean-Yves Laliberté	Director	863,000	0.40%
Mario Jacob	Director	635,000	0.29%
Daniel Massé	Director	967,500	0.44%
Michel Bouchard	Director	955,500	0.44%
Gaétan Lavallière	Vice President	652,000	0.30%
Total		9,188,000	4.2%
Agnico Eagle Mines Ltd.		35,292,536	16.18%
Management / Directors and Institutions		44,480,536	20.4%

Source: Management Information Circular

Management and board hold 4.2% of the outstanding shares

Agnico Eagle owns 16.2%

Brief biographies of the management team, as provided by the company, follow.

Philippe Cloutier – President and Chief Executive Officer

Mr. Cloutier holds a B.Sc. in Geology and a certificate in Human Resource Management and has over 25 years of experience in the mining exploration and development business. He has previously worked for Noranda Inc., Aur Resources Inc., and Soquem. Since September 2002, he serves as member of the Order of Geologist professional inspection committee. Mr. Cloutier played a lead role in the discovery and delineation of the Bell-Allard South Cu-Zn Mine (3.4 Mt @ 1.26 % Cu, 13.94 % Zn, 0.67g/t Au, 42.34g/t Ag) in Matagami, Quebec.

Jean-Yves Laliberté – Director

Mr. Laliberté has more than 30 years of experience in finance and accounting with extensive experience in the mining sector. Mr. Laliberté has served as Chief Financial Officer for several junior exploration public companies since 2006. Prior to that, for 16 years, he worked with Richmond Mines Inc. and Louvem Mines Inc., two gold producers, serving as Vice President Finance. He is also Director and Chairman of the Audit committee at Orbit Garant Drilling Inc.

Daniel Massé – Director

Mr. Massé is a graduate of Laval University with a B.Sc Actuarial Science (1989) and a certificate in financial administration (1990). He is the President and Chief Executive Officer of GFM Groupe Financier, a financial services and financial planning firm (1996) and DM Actuariat Inc., a firm specializing in the evaluation of personal injury (2006). Daniel Massé has also held various key roles in several public organizations, such as the Chamber of Commerce of Val-d'Or (2004 to

2012), the Federation of Chambers of Commerce of Quebec (2004 to 2006), CLD Vallée-de-l'Or (2007 to 2013) and the Val-d'Or Hospital Foundation (1999 to 2003).

Mario Jacob – Director

Mr. Jacob has been Vice-President and COO of NCP Investment Management since March 2012 and President and Director of Maximus Capital Inc., a consulting firm specialized in corporate financing and reorganization, since November 2003. He has been a lawyer and a member of the Barreau du Québec since 1995 and certified director since 2009 (ASC). He was a Director of Osisko Exploration James Baie inc. from February 2015 to February 2016. He was a director of Virginia Mines inc. from 2005 to 2015.

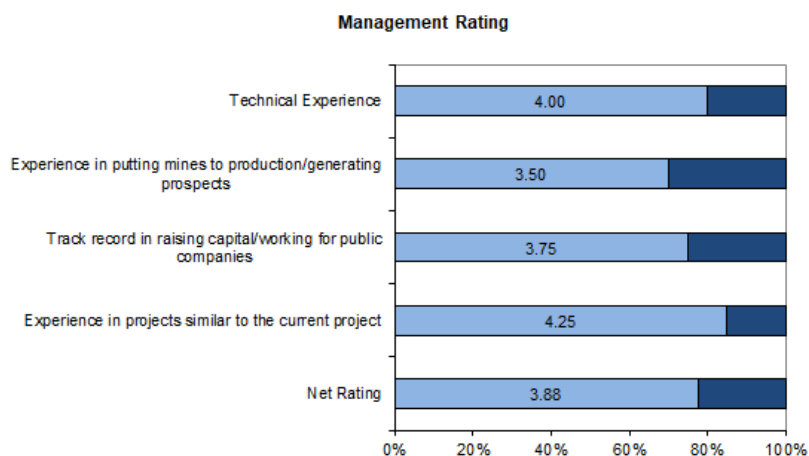
Michel Bouchard – Director

Mr. Bouchard has been involved in the exploration, development and production aspects of the mining sector for over 30 years. He is credited with the co-discovery of the Bouchard-Hebert Mine in north western Quebec. He has held Senior Executive positions at Aiguebelle Resources Inc., Audrey Resources Inc., Lyon Lake Mines Ltd., SOQUEM, McWatters Mines Inc., Cadiscor Resources Inc. and held the position of Vice President, Exploration and Development for North American Palladium Inc. and President of NAP Quebec Inc. From 2011 to 2016, he was President and Chief Executive Officer of Clifton Star Resources Inc.

Gaetan Lavallière – Vice President

For over 25 years, Mr. Lavallière has worked in the field of mineral exploration. He graduated with a Ph.D. in Mineral Resources from the Université du Québec à Chicoutimi (UQAC). His specialization is in metallogeny and optimization of associated exploration strategies. From 1985 to 1994, he worked for Noranda Inc. Horne Division, Les Mines Selbaie and Noranda Minerals Matagami Division. Then, from 1994 to 2006, he was Regional Manager of Exploration for SOQUEM inc. While at SOQUEM, he participated in the discovery of the Brosman and Clairly-Domergue deposits.

*Our rating on ECR's
management is 3.9
out of 5.0*



Source: FRC

Strength of Board

Four out of five
directors are
independent

	Poor	Average	Good
Four out of five directors are independent			X
Directors' share ownership			X
The Audit committee is composed of three board members, all are independent			X
The Compensation committee is composed of three board members, all are independent			X

Source: FRC

Financials

Strong cash position

(in C\$)	2020	2021 (9M)
Cash	\$13,271,206	\$7,048,084
Working Capital	\$11,081,450	\$6,070,573
Current Ratio	4.36	5.11
LT Debt / Assets	-	-
Monthly Burn Rate (G&A)	-\$78,124	-\$80,109
Property Related Activities	-\$3,125,700	-\$6,441,299
Cash from Financing Activities	\$8,971,936	\$96,329

Source: Company Data

In-the-money
options can bring in
another \$1.38M

Stock Options and Warrants: 34.80M options (weighted average exercise price of \$0.20 per share), and nil warrants outstanding. 9.18M options are in the money, implying a potential to raise \$1.38M.

Valuation and Rating

ECR is trading at just \$20/oz vs the sector average of \$59, implying a discount of 67%

ECR is the most undervalued junior in this list

Applying \$59/oz to ECR's resources, we arrived at a fair value estimate of \$0.46 per share

	Company	Enterprise Value (C\$,M)	EV / Resource
1	Osisko Mining	\$1,195	\$263.51
2	Victoria Gold Corp	\$1,180	\$236.42
3	Pure Gold Mining Inc.	\$423	\$184.19
4	Marathon Gold Corp.	\$650	\$182.07
5	Probe Metals	\$231	\$106.84
6	Bonterra Resources	\$127	\$90.68
7	Radisson Mining Resources	\$44	\$84.86
8	Gold Springs	\$59	\$72.12
9	Sabina Gold	\$503	\$64.09
10	Maple Gold Mines Ltd.	\$99	\$61.95
11	Gowest Gold Ltd.	\$46	\$57.54
12	Monarch Mining	\$49	\$52.92
13	Renforth Resources	\$16	\$45.75
14	Sonoro Gold	\$17	\$42.24
15	Fury Gold	\$104	\$40.78
16	Nighthawk Gold Corp.	\$50	\$38.46
17	GMV Minerals	\$10	\$29.07
18	O3 Mining	\$85	\$29.02
19	Equity Metals	\$9	\$26.43
20	Moneta Gold	\$145	\$23.51
21	Gatling Exploration	\$10	\$19.91
22	Cartier Resources	\$31	\$19.57
	Average (excl outliers)		\$59.35

* Net Resource = 100% of M&I + 50% of Inferred Resources

Source: FRC/S&P Capital IQ

We are resuming coverage with a BUY rating, and a fair value estimate of \$0.46 per share. Upcoming catalysts include:

- Potential for stronger gold prices
- Completion of a PEA on the Chimo Mine project
- Drill results from Wilson and Benoist
- Results from channel sampling and geophysics, and the launch of a drill program at Fenton

*Assigning a risk
rating of 5 (Highly
Speculative)*

Risks

We believe the company is exposed to the following key risks (not exhaustive):

- The value of the company is dependent on gold prices.
- Exploration and development risks.
- **Access to capital and potential for share dilution.**
- No guarantee that the company can simultaneously advance all of its projects.

Fundamental Research Corp. Equity Rating Scale:

Buy – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk

Hold – Annual expected rate of return is between 5% and 12%

Sell – Annual expected rate of return is below 5% or the expected return is not commensurate with risk

Suspended or Rating N/A— Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

Fundamental Research Corp. Risk Rating Scale:

1 (Low Risk) - The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

2 (Below Average Risk) - The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

3 (Average Risk) - The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

4 (Speculative) - The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

5 (Highly Speculative) - The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues and may rely on external funding. These stocks are considered highly speculative.

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The distribution of FRC's ratings are as follows: BUY (69%), HOLD (5%), SELL / SUSPEND (26%).

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